

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION 500 WEST TEMPLE STREET, ROOM 525 LOS ANGELES, CALIFORNIA 90012-3873 PHONE: (213) 974-8301 FAX: (213) 626-5427

December 10, 2015

TO:

Supervisor Hilda L. Solis, Chair

Supervisor Mark Ridley-Thomas

Supervisor Sheila Kuehl Supervisor Don Knabe

Supervisor Michael D. Antonovich

FROM:

John Naimo

Auditor-Controller

SUBJECT:

AUDIT OF PROBATION DEPARTMENT - WELFARE AND

INSTITUTIONS CODE SECTION 275(b)

California Welfare and Institutions Code (WIC) Chapter 2, Section 275(b), requires the Auditor-Controller to audit the Probation Department's (Probation) accounting records for funds related to juvenile reimbursements, fines and restitutions, and donations. We contracted with a Certified Public Accounting firm, Simpson & Simpson, CPAs (auditors), to conduct this audit. The auditors evaluated Probation's accounting records and procedures for Fiscal Years 2012-13 and 2013-14, and followed up on 35 recommendations in our February 19, 2014 report of Probation's Cash Handling, Trust Funds, Accounts Payable, and Commitments Review that specifically pertained to the WIC requirements.

Overall, the auditor's report (Attachment I) notes that Probation generally used trust funds for appropriate purposes. However, the auditors identified areas where Probation could strengthen its controls over cash handling, donations, and trust funds. The auditors also noted that, of the 35 recommendations reviewed from our February 19, 2014 report, Probation had implemented 16 recommendations, partially implemented eight recommendations, did not implement ten recommendations, and one recommendation was not applicable during the review period.

Probation's response (Attachment II) indicates general agreement with the findings and describes actions they have taken or plan to take to implement the recommendations in the audit report. Probation's response also indicates that, because most of the review

Board of Supervisors December 10, 2015 Page 2

period covered in this audit is prior to the issuance of our February 19, 2014 audit report, many of the new findings in this report are similar to findings from the prior audit.

If you have any questions, please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:TK

Attachments

c: Sachi A. Hamai, Chief Executive Officer Jerry E. Powers, Chief Probation Officer Public Information Office Audit Committee Probation Department
Biennial Trust Controls
Financial and Compliance Audit
For Fiscal Years 2012-2013 and 2013-2014



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
EXECUTIVE SUMMARY	2
INTRODUCTION	
Background	4
Objective	4
Scope	4
Methodology	4
FINDINGS AND RECOMMENDATIONS	6
IMPLEMENTATION STATUS OF PRIOR AUDIT RECOMMENDATIONS	21
APPENDIX A: Verbatim Comments/Responses to Findings	30



SIMPSON & SIMPSON CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS BRAINARD C. SIMPSON, CPA MELBA W. SIMPSON, CPA

Attachment I Page 3 of 31

U.S. BANK TOWER 633 WEST 5TH STREET, SUITE 3320 LOS ANGELES, CA 90071 (213) 736-6664 TELEPHONE (213) 736-6692 FAX www.simpsonandsimpsoncoas.com

Independent Accountant's Report

Mr. John Naimo Auditor-Controller County of Los Angeles 500 West Temple Street, Room 525 Los Angeles, California 90012

We have reviewed the County of Los Angeles Probation Department's (Probation Department) accounting records and procedures as required by the California Welfare and Institutions Code Chapter 2, Section 275 (b) for fiscal years 2012-2013 and 2013-2014 to evaluate internal controls over trust monies related to juvenile reimbursements, fines, and restitutions, and donations as outlined in California Welfare and Institutions Code Section 276. We also reviewed the Probation Department's compliance with the County Fiscal Manual (CFM) requirements for cash handling, trust and revolving funds. The Probation Department's management is responsible for the accounting records and internal controls over trust monies.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Probation Department's internal controls and adequacy of accounting records, controls and procedures as required by California Welfare and Institutions Code Chapter 2, Section 275 (b) and the CFM for fiscal years 2012-2013 and 2013-2014. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the Probation Department's accounting records as required by California Welfare and Institutions Code Chapter 2, Section 275 (b) for fiscal years 2012-2013 and 2013-2014 are not presented, in all material respects, in conformity with the California Welfare and Institutions Code Section 276 and the County Fiscal Manual requirements.

This report is intended solely for the information and use of the County of Los Angeles, and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, California

Simpson & Simpson

June 2, 2015



Introduction

The following report contains the results of our review over the Los Angeles County Probation Department's control environment over Cash Handling and Trust Funds transactions, for the biennial period Fiscal Years 2012-2013 and 2013-2014. We performed our review to determine if the County's resources are properly safeguarded, and whether the Department's controls over cash handling and trust funds comply with county fiscal policies and procedures as outlined in the Los Angeles County Fiscal Manual (CFM). Additionally, we determined if the Probation Department adequately and appropriately maintained, accounted for, and disbursed trust monies as outlined in the California Welfare and Institutions Code Section 276 (CWIC) during the biennial period, fiscal years 2012-2013 and 2013-2014.

Objectives

The review objectives were to determine whether the Probation Department adequately and appropriately maintained, accounted for, and disbursed trust monies as outlined in the California Welfare and Institutions Code Section 276 during the biennial period, fiscal years 2012-2013 and 2013-2014.

For the biennial period, we performed an internal control review as required by Section 275 of the Welfare and Institutions Code. We evaluated the adequacy of the records, controls and procedures for the trust funds associated with the duties of the Probation Department. These funds, as outlined in Section 276 of the Welfare and Institutions Code, include juvenile reimbursement, fines and restitutions, and donations to prevent crime. We also determined the implementation status of prior audit recommendations 1 through 7 and 9 through 36 in the Los Angeles County Auditor-Controller's report dated February 19, 2014 covering fiscal years 2010-2011 and 2011-2012, titled "Probation Department – Cash Handling, Trust Funds, Account Payable, and Commitments Review."

Results in Brief

Probation Department generally used its trust funds for appropriate purposes required by the California Welfare and Institutions Code Chapter 2, Section 276. However, there are some areas that need to be improved to strengthen the Department's internal controls over cash handling, receiving donations, and disbursing trust funds:

- Departmental receipts were not issued when staff received collections or donations
- Adequate security and dual custody required for cash handling and intake processes were not in place in some Area Offices and juvenile hall facilities.
- Proper monitoring and review of revolving funds and sub-assignments were not performed properly.

Probation Department's Comments

The Probation Department understands the importance of fiscal internal controls by maintaining the adequacy of accounting records, controls, and procedures with regards to cash handling and trust funds by meeting the requirements of the County's Fiscal Manual. Through Auditor-Controller audits, the Probation Department is able to identify areas where process improvement is needed. Recommendations from Fiscal Year 2010-2011 and 2011-12 audit was provided by the Auditor-Controller through a report received in February 2014. These recommendations have been implemented or partially implemented in Fiscal 2014-15.

This current audit covers periods Fiscal Years 2012-13 and 2013-14 in order to satisfy the required California Welfare and Institutions Code Chapter 2 Section 275b and 276. In addition, the audit included a status update of the February 2014 recommendations. Since the documentations sampled in the current audit are from different periods covered in the February 2014 report, most or all of the findings are the same ones from the prior audit report.

Background

The Probation Department's Budget and Fiscal Services Office is responsible for overseeing the Department's cash collections, trust/revolving funds, and accounts payable. The California Welfare and Institutions Code Section 276 govern how funds should be maintained and disbursed. The funds outlined in Section 276 (CWIC) include juvenile reimbursement, fines and restitutions, and donations to prevent crime.

Objective

The review objectives were to determine whether the Probation Department adequately and appropriately maintained, accounted for, and disbursed trust monies as outlined in the California Welfare and Institutions Code Section 276 during the biennial period, fiscal years 2012-2013 and 2013-2014.

Scope

We reviewed Probations' compliance with County Fiscal Manual (CFM) requirements for cash handling including cash receipts (juvenile monies, fines, fees and restitutions, and donations) and cash disbursements (trusts/revolving fund disbursements) transactions. We also reviewed Probation's accounting records as required by California Welfare and Institutions Code chapter 2, Section 275 (b) for fiscal years 2012-2013 and 2013-2014, to evaluate controls over trust monies related to juvenile reimbursements, fines, and restitutions, and donations.

We performed our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. Our review included observations and interviews with key personnel over internal controls surrounding applicable review areas and detailed tests of Probations' records.

Methodology

To accomplish the review objectives, we performed the following:

- Determined the applicable requirements surrounding cash receipts and cash handling as outlined in the CFM; determined the requirements surrounding trusts/revolving funds transactions as outlined in CWIC Section 276
- Obtained an understanding of the design of relevant policies and procedures and evaluated whether they were placed in operation and operating effectively
- Reviewed Probation's records and tested a sample number of transactions to determine whether Probation's established policies and procedures (internal controls) complied with the requirements of the CFM and with the requirements of Sections 275 and 276 of the CWIC.

- Conducted interviews with Probation management and staff
- Conducted unannounced cash counts over petty cash and other revolving funds to ensure that cash is properly safeguarded and used for purposes outlined in CFM and Section 276 of the CWIC

Cash Collections:

County Fiscal Manual (CFM) Section 1.3.1 states that "Collections are funds received by departments as payments for services provided, fees charged, or monies to be held in trust. Collections can be received over the counter, through the mail, on-line, or transferred via electronic wire transfer or Automated Clearing House to the receiving entity. Payments generally include cash and cash equivalents such as personal and cashier checks, money orders, etc."

The Probation Department collects payments from clients for various fees, fines, and restitutions. Clients can submit payments by mail, on-line, or at any of the 12 Probation Area Offices located throughout Los Angeles County. During fiscal year 2012-14, the Probation Department collected approximately \$21.5 million in payments for fines and fees.

Collection Procedures:

Probation's Area Offices maintain kiosk machines and/or locked boxes, which clients utilize to submit payments for fines, fees, and restitutions. Clients who are not required to report directly to a Probation Officer report via the kiosk machines, and clients who are required to report to a Probation Officer in person, utilize the secured locked box in the probation office.

Probation Staff retrieves the envelopes from the kiosk machines and locked boxes daily, and forward the unopened payment envelopes to the County Treasurer and Tax Collectors Office (TTC) for processing. We evaluated the payment collection process at four area offices.

Findings and Recommendations:

Finding 1: Staff at four of the four Area Offices visited (100%) did not issue departmental receipts to adequately account for all collections received.

Criteria

CFM Section 1.3.3 states that, "Where the use of cash register is not practical, pre-numbered hand written departmental receipts must be used."

Condition

At four (4) of the four Area Offices visited, we noted that they did not have a cash register and pre-numbered departmental receipts were not issued to clients upon receipt of payment. Probation Area Offices do not accept cash payments nor personal checks. Clients are required to submit payment via kiosk machines or via locked box while reporting for probation. The kiosk machines provide a record of payment received to the client in the form of a report, and the probationer officers are required to note that payment was made

in the clients file, when client reports directly to probationer officer. However, no monetary amounts are recorded and no pre-numbered departmental receipt is provided to the client.

Cause

Per discussion with Probation Department Personnel, the process of collecting fines and payments on behalf of the TTC is simply a facilitation of the collection of payments. As the clients submit payments via the secured lock box and via the kiosk machine, Area Office staff do not receive payments directly nor record payment amounts.

Effect

Without the utilization of pre-numbered departmental receipts, the Area Offices cannot reconcile total envelopes collected to total receipts issued during the day, which would verify the completeness of the collection process. Without this control in place, the Probation Area Offices would have to develop additional internal controls to ensure the completeness of the collection process.

Recommendation

We recommend that Probation Department strengthen its payment collection process and require Area Office staff to issue a departmental receipt to each client submitting a payment directly to staff at Area Offices. This will establish a record of envelope receipt and enable reconciliation over the collection process.

Probation Department's Response

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. Therefore, current probationers who make restitution payments have a drop box or hand deliver it to staff at the front office. However, receipts are currently not issued as the Deputy Probation Officers (DPOs) have no verification of the validity of the instrument presented. Often, the DPOs are presented with a sealed envelope reportedly containing a payment which they allow the probationer to deposit in the locked box. Even in those instances where the DPO provides the payment envelope and witnesses the depositing of the instrument into the envelope, receipts have been avoided due to the possibility of insufficient funds and the cancellation of money orders or cashier's checks. Given the timing of a payment, a probationer can take a receipt to court as verification of a payment in full, the court terminate supervision only to later discover the instrument to be invalid. While receipts are not issued, the DPO does record the transaction in the chronology portion of the Adult Probation System (APS), but awaits Treasurer and Tax Collector (TTC) official documentation of a cleared payment. Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed statement that said receipt should not be considered as final proof of payment.

Finding 2: Adequate security was not maintained over the payments at two (2) of the four (4) Area Offices visited.

Criteria

CFM Section 1.1.4 states that "Adequate physical security must be maintained at all times over locations where cash is stored and processed. Access to cashiering areas, including cash registers, cash drawers, and safes, must be restricted to as few authorized individuals as necessary. All collections should be kept in a locked safe overnight, during the lunch hour or any other period of absence when cash is not safeguarded."

Condition

Two (2) out of four (4) Area Offices that we visited did not store payment mail packages in a secure area while waiting for the Internal Service Department's pick up. At one (1) Area Office visited, once the lock box and kiosk have been emptied, the envelopes are placed in a large sealed envelope; the large envelope bag is then placed in the mail slot overnight for courier pick-up. At another location, we noted that the lock box is small and envelopes can overflow from the top; as such, envelopes can be removed from the box by unauthorized individuals. Additionally, payments submitted to receptionist are maintained in the large brown envelope at the receptionist's desk and placed in the mailroom in the general office overnight until the following morning pick-up. The mailroom has no door and is open to all employees. Therefore, access to the mail room was not restricted. In addition, one (1) out of four (4) Area Offices that we visited kept the keys to both the lock box and the kiosk hanging on a thumb tack at the Head Clerk's desk. Physical access to the key is not restricted to authorized individuals. This is a security issue.

Cause

At Area Offices that we visited, office personnel represented to us that the envelopes are secured overnight because the mailbox is in a locked office area.

Effect

By not limiting access to the lock box and kiosk keys, leaving payment envelopes on the receptionist's and/or clerk's desk throughout the day, and by not locking the payment envelopes in a secure location within the locked office throughout the night, increases the risk that payments can be stolen or lost during the collection process.

Recommendation

We recommend that all Area office locations have a safe, locked file cabinet, or some other means or restrictive security to house payment envelopes during the day and the night; they should be required to utilize those devices at all times. Additionally each area office should adjust the timing and frequency of collections to ensure that payments are never exposed and susceptible to theft. All keys to locked boxes, kiosks, safes, etc. should be restricted from all unauthorized personnel, and should only be accessible to limited authorized individuals.

Probation Department's Response

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. The department has inquired with Treasurer and Tax Collector to strengthen the collection process and allow all payments to be dropped into a secure lock box located within the front office and require the Treasurer and Tax Collector to open, retrieve and record the number of payment envelopes. However, Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed statement that said receipt should not be considered a final proof of payment. In addition, in the interim, Field management will work on a uniform process to secure envelopes until such time as the courier is able to retrieve them.

Finding 3: At three (3) of the four (4) Area Offices visited (75%), we noted that Dual Custody was not utilized during the collection process. At two (2) of the four (4) Area Offices visited (50%), we noted that no log was maintained to record the total amount of envelopes collected.

Criteria

CFM Section 1.3.6 states that "Where there is a large volume of checks received by mail, two employees should be assigned to open the mail and record the receipts."

Condition

Payments are made by clients via lock box or kiosk; they are not remitted directly to clerical staff on site. The staff is required to collect the envelopes from the lock box and kiosk for submission to the Treasurer and Tax Collector (TTC). While the payments are not mail payments, the collection of the payment envelopes from the payment mediums available is identical to the process of collecting payment via mail. As such, we noted that three (3) of the four (4) Area Offices visited did not maintain dual custody (two or more staff) during the collection process. Additionally, staff of two (2) out of four (4) Area Offices that we visited did not log or maintain a log of total payment envelopes collected each day. One (1) out of two (2) Area Offices that maintained an envelope log did not review the log to reconcile between the envelope log and the physical envelopes. Therefore, the offices had no method to ensure the completeness of payment envelopes sent for deposit.

Cause

Per review of Probation Department's Directive 841, which outlines the collection procedures for Area Office collections, there is no requirement for dual custody during the collection process and there is no requirement that staff maintain any records related to the amount of envelopes collected. As such, these control procedures are instituted at the behest of the Area Office Managers and varies in operation from site to site.

Effect

By not maintaining records of total envelopes collected, there is no way for the Area Offices to ensure that 100 percent (%) of payments received are submitted to the TTC. By not observing dual custody during the collection process and not requiring documents to reconcile collections, the risk of theft and misappropriation of financial assets increases significantly.

Recommendation

We recommend that the Probation Department require two staff at Area Offices to be present during the collection process and log the amount of envelopes collected at the end of the day including kiosk machines and locked boxes. Once the envelopes have been collected and the log has been completed, we recommend that an Area Office staff who is not involved in the collection process account for the amount of payment envelopes on hand and agree the amount of payment envelopes to the collection log to ensure the completeness of collections prior to submission of deposit to TTC.

Probation Department's Response

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. The department has inquired with Treasurer and Tax Collector to strengthen the collection process and allow all payments to be dropped into a secure lock box located within the front office and require the Treasurer and Tax Collector to open, retrieve and record the number of payment envelopes. However, Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed statement that said receipt should not be considered as final proof of payment. In the interim, Field management will work with Administrative staff to develop a two person process to address this finding.

Minor's Intake Process:

Per County Fiscal Manual Section 1.1.2, "The highly liquid nature of cash and equivalents requires that strict controls be established over all phases of cash handling operations to limit access to cash such that an individual cannot convert funds for personal use without immediate detection"

The Probation Department of Los Angeles County has three juvenile hall facilities and several youth camps, which are utilized to house youthful offenders. During the intake into these various facilities, minor's personal property including clothing, cash, jewelry, electronics, and any other personal property is collected and stored by the facility.

We visited the Central Juvenile Hall to observe the intake process and determine whether the cash handling/property management processes are in compliance with the County Fiscal Manual. During our visit, we noted that the intake process is segregated between intake movement control, who initiates the intake process, and property control, who houses the cash and other property until the youth offender is released. We noted that pre-numbered departmental receipts are issued and signed by the minor upon intake, logs are utilized to log the collections and reconcile receipt created by movement control to the physical property collected by property control. However, we noted the following:

Findings and Recommendations:

Finding 4: Property Intake Officers did not perform duties with dual custody.

Criteria

CFM Section 1.1.2 states that "The highly liquid nature of cash and equivalents requires that strict controls be established over all phases of cash handling operations to limit access to cash such that an individual cannot convert funds for personal use without immediate detection and to provide accurate cash balances for financial reporting and for monitoring cash flow and liquidity."

Condition

We observed the intake process of eleven (11) minors and observed that the Property Intake Officers did not perform their duties with dual custody; as such, all eleven (11) minors' properties were handled by one (1) property intake officer. One (1) out of the six (6) minors with property designated as NP (no property) in the property log. Four (4) out of 11 minors that we observed intake process did not have itemized receipts. Two (2) out of six (6) property envelopes with house money and/or jewelry were not properly sealed.

Cause

The juvenile hall staff were aware of the importance of dual custody during intake processes. However, staff levels may not allow dual custody at all times.

Effect

There is an increased risk for misappropriation or misuse of minors' cash or properties.

Recommendation

We recommend that Probation management consider requiring two juvenile hall staff to collect minor's personal property during the intake processes to strengthen the internal controls over cash and other valuable property collected from minors.

Probation Department's Response

The Probation Department agrees with this recommendation since the department is currently aware of the policy requiring dual custody. However, the department's current staffing levels is not able to guarantee 2 Juvenile Hall Staff to consistently be present during the intake process. As staffing level permits, the department will remain compliant.

Donations:

Probation Department received donations of \$16,469 through juvenile halls and camps to fund various programs such as scholarships and departmental programs designated for minors during fiscal years 2012-2013 and 2013-2014.

Findings and Recommendations:

Finding 5: Donation receipts were not issued to donors when donations were received at the juvenile hall.

Criteria

Probation's internal policy (Administrative services manual) Instruction No. A-8, Section I.2 states that "Give the original receipt to the donor."

Condition

One of the juvenile halls that received donations during fiscal years 2012-14 represented to us that they did not issue receipts to donors when they received the donations. In addition, the juvenile hall did not maintain a complete log or sequential receipt book to keep track all donations received. Therefore, we were unable to verify whether all donations received by different locations were properly reported in the quarterly donation reports to the Executive Officer of the Board of Supervisors.

Cause

Because the prior audit report was issued on February 19, 2014, the juvenile hall did not have enough time to implement the auditor's recommendation in the fiscal years 2012-2013 and the last four months of 2013-2014.

Effect

There is an increased risk for misappropriation or misuse of the donations.

Recommendation

We recommend that Probation remind all the location offices regarding donation receipt policy and recording procedures to strengthen its internal controls.

Probation Department's Response

The Probation Department agrees with this recommendation and has implemented a process to ensure all donations received are recorded, reported and donors are given a receipt based on the February 2014 findings. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.

Finding 6: Not complying with the restrictions imposed by the donor that the County has agreed to.

Criteria

CFM Section 2.4.1, Establishing and Monitoring Donation Trust Funds states that "Departments are responsible for complying with any restrictions imposed by the donor that the County has agreed to."

Condition

Probation Department received a \$10,000 donation from a donor for a scholarship program to assist young people emerging from Probation programs in March 2009. However, Probation had a remaining balance of \$9,540.73 three (3) years after Probation Department received the donation. The donor withdrew the offer and requested a refund in September 2012. Therefore, Probation Department refunded the remaining balance in October 2012.

Cause

The donation was not monitored to ensure that the donation was awarded timely to an eligible scholarship recipient(s).

Effect

The donation was not provided to young people emerging from Probation programs as the donor designated.

Recommendation

We recommend that the Probation Department improve internal controls over donations received by them, so that the donations can be spent as donors designated.

Probation Department's Response

The Probation Department agrees with this recommendation and currently monitors all trust balance closely and will request that all donor inquiries with regards to donation balances be directed to Fiscal Services. Probation Fiscal Staff currently provides a report of outstanding donation balances to operational staff to plan for utilization.

Revolving Funds and Revolving Cash Trust Funds:

A revolving fund is a fixed amount of money that departments may use to make a change for petty cash purchases. Similarly, a revolving cash trust fund is a fixed amount of cash requisitioned from a trust fund to expedite high volume refunds. During fiscal years 2012-14, Probation Department closed the Wards Revolving Cash Trust Fund. Probation Department had the Main Revolving Fund with operating petty cash sub-assignments and Visto (donation) petty cash sub-assignments totaling \$32,755 per Department's internal list. Probation Department maintained two separate checking accounts for Department's operating petty cash sub-assignments and Visto petty cash sub-assignments in the amounts of \$18,655 and \$14,100, respectively as of June 30, 2014.

Based on the CFM Section 1.6.3, Probation Department is required to have funds custodians sign a statement of responsibility form for each revolving fund assignment and sub-assignment annually, or whenever the fund custodian changes. Responsibility for each revolving fund assignment and sub-assignment must be vested in only one person. Someone else, however, should have controlled access to the fund in case of absence or emergency. The custodian of the fund must not have any other cash handling responsibilities (including the ability to sign checks or authorize revolving fund disbursements).

Based on the CFM Section 1.6.3, surprise cash counts of the revolving fund monies of \$200 or more should be conducted at least quarterly. Surprise cash counts of revolving fund monies less than \$200 should be conducted at least annually. The surprise cash counts should be conducted by employees not having cash handling responsibilities over the specific fund being counted.

Based on the CFM Section 1.6.3, for petty cash funds, the amount of the fund should equal approximately on month's expenses (an estimate based on available data).

Findings and Recommendations:

Finding 7: <u>Variance of \$100 noted between the Probation Department's internal list of revolving fund subassignments and the amount assigned to the Department per eCAPS report</u>

Criteria

CFM Section 1.6.3 states that "Revolving fund(s) must be kept clear of shortages and overages."

Condition

We noted a variance of \$100 between the Probation Department's internal list of revolving fund sub-assignments and the amount assigned to the Department per eCAPS report as of June 30, 2014. Probation Department represented to us that the variance resulted from a shortage of one sub-assignment and carried forwarded from an audit report dated on October 4, 2004. Probation did not replenish the shortage, but updated their internal listing to reduce the amount in fiscal year 2014. Therefore, Probation Department's internal listing is \$100 less than the eCAPS report as of June 30, 2014.

Cause

Probation Department did not replenish the shortage to maintain the correct amount of total sub-assignments per eCAPS.

Effect

Variance of \$100 noted between the Probation Department's internal list of revolving fund sub-assignments and the amount assigned to the Department per eCAPS report

Recommendation

We recommend that the Probation Department identify and resolve revolving fund shortages timely, and immediately report the shortages to the Auditor-Controller's Office of County Investigations to ensure Probation Department's internal revolving fund sub-assignments listing reflects the correct amount assigned to each location, and the total amount of sub-assignments agrees with the eCAPS report.

Probation Department's Response

The Probation Department agrees with this recommendation and has implemented processes to ensure the integrity of the revolving funds.

Finding 8: Statement of Responsibility did not identify alternate fund custodians and an approving authority.

Criteria

CFM Section 1.6.3 states that "Annually or whenever the fund custodian changes, a department must complete a responsibility statement to account for this revolving fund(s), including all sub-assignments and the name of each custodian. Responsibility for each revolving fund assignment and sub-assignment must be vested in only one person. Someone else, however, should have controlled access to the fund in case of absence or emergency." "The custodian of the fund must not have any other cash handling responsibilities (including the ability to sign checks or authorize revolving fund disbursements)."

Condition

Based on our review of the Statement of Responsibility forms, Probation Department obtained Statement of Responsibility forms at least annually or whenever a fund custodian changed. However, twelve (12) out of the forty-five (45) Statement of Responsibility forms reviewed did not identify alternate fund custodians and one (1) of the Statement of Responsibility forms did not identify an approving authority.

Cause

It was due to staffing availabilities at each location.

Effect

There is an increased risk of unauthorized access to the sub-assignments (petty cash) for emergency need of funds, in case of absence of the primary custodian, with no alternate or custodians.

Recommendation

We recommend that Probation Department obtain Statement of Responsibility forms from each location as required and review the forms to ensure that the forms specify the assigned amount, fund custodian, alternate fund custodian, and approving authority with no responsibility of fund disbursements.

Probation Department's Response

The Probation Department agrees with this recommendation, however, the department's current staffing level is not able to guarantee an alternate fund custodian to some of the areas that have petty cash assignments. A waiver will be requested from the Auditor-Controller to have expenditure approvers to act as the alternate fund custodians.

Finding 9: Surprise petty cash counts were not performed.

Criteria

CFM Section 1.6.3 states that "Surprise cash counts of the revolving fund monies of \$200 or more should be conducted at least quarterly. Surprise cash counts of revolving fund monies less than \$200 should be conducted at least annually. The surprise cash counts should be conducted by employees not having cash handling responsibilities over the specific fund being counted. A record of the date and the amount counted should be maintained in the department's business office."

Condition

We were not provided supporting documentation that surprise petty cash counts were performed by employees not having cash handling responsibility for Probation's revolving funds.

Cause

Cash counts were performed by primary fund custodians' and alternate fund custodians, which are not surprise cash counts by employees not having cash handling responsibilities over the specific fund being counted.

Effect

There is an increased risk of not identifying revolving funds' shortages and overages in a timely manner, and Probation Department is not in compliance with the CFM Section 1.6.3.

Recommendation

We recommend that Probation Department implement procedures to have staff with no cash handling responsibilities of revolving funds conduct surprise cash counts for all revolving funds with assigned amounts over \$200 quarterly and less than \$200 annually, and require fund custodians to sign and date the surprise cash count documents for their agreement of the count.

Probation Department's Response

The Probation Department agrees with this recommendation and has implemented a process to ensure surprise petty cash counts are performed based on the February 2014 findings. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.

Finding 10: Petty cash fund assignments exceeded approximately one month's expenses.

Criteria

CFM Section 1.6.4 states that "For petty cash funds, the amount of the fund should equal approximately one month's expenses (an estimate based on available data)."

Condition

Based on the thirteen (13) petty cash funds reviewed, we noted that three (3) petty cash funds had monthly expenses less than the assigned amounts during fiscal years 2012-2013 and 2013-2014. The three (3) petty cash accounts had monthly expenses less than 50 percent(%) of the assigned amounts and were replenished less than 4 times (one or three) during the year.

Cause

Subsequent to the issuance of the prior audit report on February 19, 2014, the Probation Department evaluated petty cash accounts and adjusted some of the petty cash account balances. However, the Probation Department's evaluation of all petty cash accounts was not documented.

Effect

Some of the petty cash accounts' assigned amounts were not equal to approximately one month's expenses and Probation Department was not in compliance with the CFM requirement.

Recommendation

We recommend that the Probation Department evaluate the amount of all petty cash fund assignments regularly and adjust fund assignments, where appropriate. In addition, we recommend the Probation Department document the results of its evaluation.

Probation Department's Response

The Probation Department agrees with this recommendation and have evaluated all petty cash fund assignments based on the February 2014 findings and prior to this audit. During this time, some fund assignments were removed and management decided to leave others in place for t emergency needs. Probation will ensure that an annual evaluation of petty cash fund assignments are compliant within the County's Fiscal Manual.

Trust Funds

Trust funds consist of monies received and held by the County as a trustee, custodian, or agent for other parties or jurisdictions. The Probation Department maintained a list of its trust funds with the purpose and authority of each trust fund noted on the list. The Probation Department had trust fund balances of approximately 12.6 million and 26.5 million as of June 30, 2013 and 2014, respectively. Based on our review, we noted the following:

Finding 11: Unknown purposes of three camps' trust funds.

Criteria

CFM Section 2.1.3 states that "The department must maintain historical data documenting the trust fund's purpose and authority" and "When the need for the trust fund (purpose for which the trust fund was established) no longer exists, the trust fund should be closed by reconciling the trust and dispositioning all fund balances."

Condition (W/PC73)

Based on our review of the Probation Department's list of trust funds, the purposes of three camps' trust funds in the amount of \$21,364 were documented on the list as unknown. Of the three camp trust funds, one fund represented 99.5% of this amount with the other two funds representing the remaining .5%. The trust fund balances had no change from FY 2012, thus, no activity was reported for FY 2013 and 2014. However, subsequent to the fiscal year ended 2014, the Probation Department evaluated and transferred all fund balances from the three trust funds to the Visto trust fund.

Cause

Because the prior audit report was issued on February 19, 2014, the Probation Department did not have enough time to implement corrective actions within fiscal year 2014.

Effect

No evaluation was performed to determine the need for the trust funds, and the trust funds were not used during FY 2013 and FY 2014.

Recommendation

We recommend that the Probation Department evaluate the need for the three camp trust funds and close the trust funds that are no longer needed and ensure disposition of all fund balances.

Probation Department's Response

The Probation Department agrees with this recommendation and has identified all the trust funds based on the February 2014 findings and prior to this audit. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.

Controls Over Payments Received

1. Require staff that receive payment envelopes directly from clients to issue receipts to acknowledge that the envelopes were received.

Status:

Not implemented. Staff of four (4) Area Offices that we visited did not issue receipts to acknowledge that payment envelopes were directly received from clients.

2. Develop a mechanism to ensure all payment envelopes received are accounted for and forwarded to the Treasurer and Tax Collector for processing.

Status:

Not implemented. Staff of two (2) out of four (4) Area Offices that we visited did not log or maintain a log of total payment envelopes collected each day. In addition, one (1) out of two (2) Area Offices that maintained an envelope log did not review the log to reconcile between the envelope log and the physical envelopes. Therefore, the offices had no method to ensure the completeness of payment envelopes sent for deposit.

3. Require two employees to retrieve payment envelopes from the locked boxes and kiosks, and record the number of envelopes retrieved.

Status:

Not implemented. Three (3) out of four (4) Area Offices that we visited did not have dual custody during collection process. The same person with collection responsibility is responsible for preparing payment mailing envelopes to be sent to the Treasurer and Tax Collector for deposit.

4. Ensure collections are stored in a secure area at all times and restrict access of collections to as few individuals as needed.

Status:

Not implemented. Two (2) out of four (4) Area Offices that we visited did not store payment mail packages in a secure area while waiting for the Internal Service Department's pick up. A large envelop bag is prepared with a mail receipt each day and left in the mail slot for courier pick-up. However, access to the mail room was not restricted. In addition, one (1) out of four (4) Area Offices that we visited kept the keys to both the lock box and the kiosk hanging on a thumb tack at Head Clerk's desk. Physical access to the key is not restricted to authorized individuals.

Minors' Personal Money

5. Ensure minors' personal monies are deposited promptly.

Status:

Implemented Based on our review, the juvenile hall that we visited collected less than \$500 per day and deposited minors' personal monies at least weekly which is in compliance with the County Fiscal Manual.

6. Require staff to reconcile manual receipt books issued to staff to ensure that all receipts are accounted for, and require supervisors to review/initial voided receipts and include a note as to why the receipts were voided.

Status:

Not implemented. Four (4) out of eleven (11) minors that we observed the intake process did not have itemized receipts. Two (2) out of six (6) property envelopes with house money and/or jewelry were not properly sealed. Property Intake Officers did not perform duties with dual custody; as such, all eleven (11) minors' properties were handled by one (1) property intake officer. One (1) out of the six (6) minors with property was designated as NP (no property) in the property log. Based on our review of property receipt books at one juvenile hall, inventory of new and used receipt books and reconciliation between receipt books issued to staff were not performed. We noted that five (5) voided property receipts were remained in the used receipt book. However, all of the five (5) voided receipts did not include the supervisors' initials and reasons to void the receipt. Three (3) out of five (5) voided receipts were not stamped or written as "Void".

Minor Intake Process

7. Probation management consider requiring two staff to collect minors' personal property during the intake process.

Status:

Not implemented. See number #6 above.

Receipts for Donations

9. Ensure staff issue departmental receipts for donations received in person, and require staff to remind donors to address donation checks to the Department.

Status:

Partially implemented. Based on our review of the documentation maintained by the Probation Department for FY 2013 and FY 2014 for donations received, all donation checks were addressed to the Department. However, the juvenile hall that received donations during FY 2013 and FY 2014 represented to us that they did not issue receipts to the donors for donations received in FY 2013 and FY 2014.

10. Strengthen its departmental policies to ensure staff comply with County Fiscal Manual Section 2.4.4, which requires proper written documentation from donors for any gifts intended for staff use. Status:

Not applicable in FY 2013 and FY 2014. Based on our review of the donations reported to the Executive Officer of the Board of Supervisors, no donations were received for staff use. We were not provided any other documentation that the Probation Department received donations for staff use. Also, the Probation Department did not provide us with an updated written internal policy to require proper written documentation from donors for any gifts intended for staff use.

Reporting Donations

11. Ensure the Department reports all donations received, regardless of the amount or intended beneficiary, to the Executive Officer of the Board of Supervisors.

Status:

Not implemented. Based on our inquiry with one of the juvenile halls that received donation during FY 2013 and FY 2014, the juvenile hall did not maintain a sequential receipt book or log to keep track all donations received. Therefore, we were not able to verify whether all donations received were properly reported in the quarterly donation reports to the Executive Officer of the Board of Supervisors. However, the juvenile hall represented to us that they referred all donations to the Fiscal Services as they were received.

12. Require staff at each location to maintain a log of all donations and gifts received at that location.

Status:

Not implemented. Based on our inquiry with one of the juvenile halls that received donation during FY 2013 and FY 2014, the juvenile hall did not maintain a sequential receipt book or log to keep track all donations received. In addition, based on the donations reported to the Executive Officer of the Board of Supervisors, except one location, all locations' receipts were not sequential.

Revolving Fund Shortages

13. Identify and resolve revolving fund shortages timely, and immediately report shortages to the Auditor-Controller's Office of County Investigations.

Status:

Partially implemented. No new shortages were noted during our review periods. However, the \$100 variance/shortage noted prior to 2004 between the eCAPS report and Probation's internal list of sub-assignments has still not been resolved as of end of FY 2014.

14. Improve controls over the revolving fund replenishment process to ensure replenishment monies are properly safeguarded and used to replenish revolving funds.

Status:

Partially implemented. The Probation Department developed additional controls in fiscal year 2013-14 where Fiscal Services Section is to notify the Fund Custodians via email when a replenished warrant had been issued to the Director or Office Head. However, the email notification procedure was implemented during fiscal year 2014-15.

15. Ensure the Department's internal revolving fund sub-assignment listing reflects the correct amount assigned to each location, and ensure the total of the sub-assignments agrees with the amount assigned to the Department per eCAPS.

Status:

Not implemented. We noted a variance of \$100 between the Probation Department's internal list of revolving fund sub-assignments and the amount assigned to the Department per eCAPS report as of June 30, 2014.

16. Increase the level of management oversight over revolving funds to ensure the Department can account for all its revolving fund monies.

Status:

Implemented. Based on our review, the Probation Department maintained and reviewed reconciliations of revolving fund sub-assignments to identify shortages and overages.

Statement of Responsibility

17. Obtain statements of responsibility for each revolving fund assignment annually, or whenever a fund custodian changes, specifying the assigned amount, and the primary and secondary fund custodians' names.

Status:

Not implemented. Based on our review of the Statement of Responsibility forms, Probation Department obtained Statement of Responsibility forms at least annually or whenever a fund custodian changes. However, twelve (12) out of the forty-five (45) Statement of Responsibility forms reviewed did not identify alternate fund custodians and one (1) of the Statement of Responsibility forms did not identify an approving authority.

18. Ensure fund custodians are not responsible for authorizing revolving fund disbursements.

Status:

Implemented. Based on our review of the Statements of Responsibility for fund custodians they are not responsible for authorizing revolving fund disbursements.

Revolving Checking Accounts and Petty Cash Funds

19. Ensure revolving fund purchases are within the dollar limits specified in the County Fiscal Manual, and that staff do not split purchases to circumvent the limits.

Status:

Implemented. Based on our review of the revolving funds' expense reports and samples tested, the revolving fund purchases were within the dollar limits specified in the County Fiscal Manual. We did not identify any split purchases to circumvent the limits.

20. Ensure staff document the reasons for using revolving funds to pay for purchases, as required by the County Fiscal Manual.

Status:

Implemented. Based on our review of supporting documentation for the revolving funds' purchases, the reasons for using revolving funds to pay for purchases were documented.

21. Obtain vendor receipts/invoices and proper approvals for revolving fund purchases.

Status:

Implemented. Based on our test of revolving fund purchases, the Probation Department obtained vendors' receipts/invoices.

22. Ensure revolving fund expenditure documentation is marked "paid" to prevent reuse.

Status:

Implemented. Based on our test of revolving fund purchases, documentation for each payment was stamped "Paid" to prevent reuse.

23. Ensure check stock states that amounts over \$500 require two signatures.

Status:

Implemented. Based on our review of the check stocks for the main operating revolving fund and the Visto revolving fund, the check stocks state that "NOT VALID FOR OVER \$1,000.00" and "OVER \$500.00 REQUIRE TWO SIGNATURES."

Petty Cash Fund Reconciliation

24. Probation management ensure staff properly document petty cash fund reconciliations to identify all unresolved shortages and overages, and resolve the shortages and overages promptly.

Status:

Implemented. Based on our review of the petty cash fund reconciliations, the Probation management identified any shortages and overages timely, and documented reasons to resolve the shortages and overages.

Wards Revolving Cash Trust Fund

25. Evaluate the need for the petty cash portion of the Wards Revolving Cash Trust Fund, and reduce or eliminate the petty cash fund, if appropriate.

Status:

Implemented. The Wards Revolving Cash Trust Fund (Checking account) was closed as of January 13, 2014.

26. Ensure staff use revolving cash trust funds only for the established purpose.

Status:

Implemented. Based on our review of the revolving cash trust funds expenses, we did not identify any use of the revolving cash trust funds other than the established purposes.

Petty Cash Counts

27. Ensure staff conduct quarterly surprise cash counts for all revolving funds with assigned amounts over \$200.

Status:

Partially implemented. Based on our inquiry and review of the Probation Department's petty cash, surprise cash count memo and the newly developed quarterly surprise cash count form, the internal controls have been strengthened to require quarterly surprise cash counts. However, the quarterly surprise cash count was not performed by June 30, 2014. The Probation Department represented to us that the Probation Department would start performing the quarterly surprise cash count with the new form in fiscal year 2015

28. Require fund custodians to sign and date cash count documents to indicate agreement with the count.

Status:

Partially implemented. Based on our review of the Probation Department's newly developed quarterly surprise cash count form, the form includes columns for fund custodians' signature and date to verify and the surprise cash count.

Petty Cash Fund Assignments

29. Probation management evaluate the amount of petty cash fund assignments and reduce fund assignments, where appropriate.

Status:

Partially implemented. Based on our review, we noted that the Probation Department had evaluated and increased the amount of petty cash fund assignment for one Area Office and closed the petty cash fund assignment for one juvenile justice center. However, we were not provided supporting documentation that the Probation Department had performed evaluations for all petty cash fund assignments during FY 2013 and FY 2014. Therefore, we were not able to verify whether amounts of petty cash fund assignments were properly reduced, where appropriate.

Unclaimed Funds

30. Probation management review unclaimed funds in their trust funds to determine if they can identify the appropriate disposition, and refer any remaining unclaimed funds to the Treasurer and Tax Collector.

Status:

Implemented. Based on our review, the Probation Department maintained an aging schedule of unclaimed funds. The Probation Department had referred remaining unclaimed funds to the Treasurer and Tax Collector's office twice during FY 2013 and FY 2014 pursuant to California Government Code Section 50050 through 50057. After the newspaper notice, the unclaimed funds of \$441,324 were transferred to the Probation Department's Victim Assistance Trust Fund in FY 2014.

Reconciliations

31. Maintain subsidiary ledgers independent of eCAPS for all trust funds, and reconcile the balance per the subsidiary records to eCAPS.

Status:

Implemented. Based on our test of reconciliations between the trust funds' subsidiary ledgers and eCAPS, the Probation Department maintained subsidiary ledgers for the trust funds, and reconciled the balance per the subsidiary records to eCAPS.

32. Ensure trust fund reconciliations are properly documented to identify any variances/reconciling items, the date prepared/approved, and the approver's signature.

Status:

Implemented. Based on our test of reconciliations between the trust funds' subsidiary ledgers and eCAPS, the reconciliations were properly prepared to identify any variances/reconciling items such as outstanding items, and were approved within 30 days after the month ended.

33. Ensure staff research and resolve all trust fund reconciling items timely.

Status:

Implemented. Based on our test of reconciliations between the trust funds' subsidiary ledgers and eCAPS, the reconciliations were properly prepared to identify any variances/reconciling items such as outstanding items, and were approved within 30 days after the month ended.

34. Ensure staff prepare and approve trust fund reconciliations timely.

Status:

Implemented. Based on our test of reconciliations between the trust funds' subsidiary ledgers and eCAPS, the reconciliations were properly prepared to identify any variances/reconciling items such as outstanding items, and were approved within 30 days after the month ended.

Trust Fund Documentation

35. Maintain historical documentation indicating the purpose and authority of each trust fund, and develop a formal process for reviewing and approving the purpose of each trust fund.

Status:

Partially implemented. During FY 2013 and FY 2014, the Probation Department's Victim Assistance Trust Fund was established and money was deposited. We verified that the Victim Assistance Trust Fund had been properly reviewed and approved for the purpose of the trust fund to provide victim services. However, based on our review of the Probation Department's list of trust funds which includes each fund's purpose and authority, the list of trust funds did not identify purposes and authorities of three camps' trust funds in the amount of \$21,364. However, subsequent to FY 2014, the Probation Department evaluated and transferred \$21,364 to the Visto Trust Fund. See finding #11.

36. Evaluate the need for trust funds, and close trust funds that are no longer needed and disposition all fund balances.

Status:

Partially implemented. We noted that the Probation Department evaluated and closed the Wards Revolving Cash Trust Fund during FY 2014. However, we noted that there were three camps' trust funds in the amount of \$21,364 with no identified purposes and the funds were not closed as of FY 2014. Subsequent to FY 2014, the Probation Department evaluated and transferred \$21,364 to the Visto Trust Fund



COUNTY OF LOS ANGELES PROBATION DEPARTMENT

9150 East Imperial Highway - Downey, California 90242 (562) 940-3702



JERRY E. POWERS Chief Probation Officer

July 14, 2015

Ms. Melba W. Simpson, CPA Simpson & Simpson, LLP US Bank Tower 633 West Fifth Street, Suite 3320 Los Angeles, CA 90071

CALIFORNIA WELFARE INSTITUTIONS CODE CHAPTER 2, SECTION 275 AUDIT FY 2012-13 AND 2013-14

This is in response to the audit recommendations by Simpson and Simpson, LLP report that will be submitted to Mr. John Naimo at the County of Los Angeles Auditor-Controller.

The Probation Department understands the importance of fiscal internal controls by maintaining the adequacy of accounting records, controls, and procedures with regards to cash handling and trust funds by meeting the requirements of the County's Fiscal Manual. Through Auditor-Controller audits, the Probation Department is able to identify areas where process improvement is needed. Recommendations from Fiscal Year 2010-2011 and 2011-12 audit was provided by the Auditor-Controller through a report received in February 2014. These recommendations have been implemented or partially implemented in Fiscal 2014-15.

This current audit covers periods Fiscal Years 2012-13 and 2013-14 in order to satisfy the required California Welfare and Institutions Code Chapter 2 Section 275b and 276. In addition, the audit included a status update of the February 2014 recommendations. Since the documentations sampled in the current audit are from different periods covered in the February 2014 report, most or all of the findings are the same ones from the prior audit report.

If you have any questions or need additional information, please contact Grace Reyes of my staff at (562) 940-2614.

Sincerely,

Jerry E. Powers Chief Probation Officer

Rebuild Lives and Provide for Healthier and Safer Communities

Simpson & Simpson, LLP July 14, 2015 Page 2 of 5

Recommendations and Department Responses:

CASH COLLECTION

Recommendation #1:

We recommend that Probation Department strengthen its payment collection process and require Area Office staff to issue a departmental receipt to each client submitting a payment directly to staff at Area Offices. This will establish a record of envelope receipt and enable reconciliation over the collection process.

Department's Response:

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. Therefore, current probationers who make restitution payments have a drop box or hand deliver it to staff at the front office. However, receipts are currently not issued as the Deputy Probation Officers (DPOs) have no verification of the validity of the instrument presented. Often, the DPOs are presented with a sealed envelope reportedly containing a payment which they allow the probationer to deposit in the locked box. Even in those instances where the DPO provides the payment envelope and witnesses the depositing of the instrument into the envelope receipts have been avoided due to the possibility of insufficient funds and the cancellation of money orders or cashier's check. Given the timing of a payment, a probationer can take a receipt to court as verification of a payment in full, the court terminate supervision only to later discover the instrument to be invalid. While receipts are not issued, the DPO does record the transaction in the chronology portion of the Adult Probation System (APS), but awaits Treasurer and Tax Collector (TTC) official documentation of a cleared payment. Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed statement that said receipt should not be considered as final proof of payment.

Recommendation #2:

We recommend that all Area office locations have a safe, locked file cabinet, or some other means or restrictive security to house payment envelopes during the day and the night; they should be required to utilize those devices at all times. Additionally each area office should adjust the timing and frequency of collections to ensure that payments are never exposed and susceptible to theft. All keys to locked boxes, kiosks, safes, etc. should be restricted from all unauthorized personnel, and should only be accessible to limited authorized individuals.

Department's Response:

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. The department has inquired with Treasurer and Tax Collector to strengthen the collection process and allow all payments to be dropped into a secure lock box located within the front office and require the Treasurer and Tax Collector to open, retrieve and record the number of payment envelopes. However, Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed

Simpson & Simpson, LLP July 14, 2015 Page 3 of 5

statement that said receipt should not be considered as final proof of payment. In addition, in the interim, Field management will work on a uniform process to secure envelopes until such time as the courier is able to retrieve them.

Recommendation #3:

We recommend that the Probation Department require two staff at Area Offices to be present during the collection process and log the amount of envelopes collected at the end of the day including kiosk machines and locked boxes. Once the envelopes have been collected and the log has been completed, we recommend that an Area Office staff who is not involved in the collection process account for the amount of payment envelopes on hand and agree the amount of payment envelopes to the collection log to ensure the completeness of collections prior to submission of deposit to TTC.

Department's Response:

The Probation Department agrees with this recommendation established by the County's Fiscal Manual. The department has inquired with Treasurer and Tax Collector to strengthen the collection process and allow all payments to be dropped into a secure lock box located within the front office and require the Treasurer and Tax Collector to open, retrieve and record the number of payment envelopes. However, Probation will inquire on the feasibility of issuing receipts for envelopes received only, with a printed statement that said receipt should not be considered as final proof of payment. In the interim, Field management will work with Administrative staff to develop a two person process to address this finding.

MINOR'S INTAKE PROCESS

Recommendation #4

We recommend that Probation management consider requiring two juvenile hall staff to collect minor's personal property during the intake processes to strengthen the internal controls over cash and other valuable property collected from minors.

Department's Response

The Probation Department agrees with this recommendation since the department is currently aware of the policy requiring dual custody. However, the department's current staffing levels is not able to guarantee 2 Juvenile Hall Staff to consistently be present during intake process. As staffing level permits, the department will remain compliant.

Recommendation #5

We recommend that Probation remind all the location offices regarding donation receipt policy and recording procedures to strengthen its internal controls.

Department's Response

The Probation Department agrees with this recommendation and has implemented a process to ensure all donations received are recorded, reported and donors are given a receipt based on the February 2014 findings. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.

Simpson & Simpson, LLP July 14, 2015 Page 4 of 5

REVOLVING FUND AND CASH TRUST FUNDS

Recommendation #6:

We recommend that the Probation Department improve internal controls over donations received by them, so that the donations can been spent as donors designated.

Department's Response:

The Probation Department agrees with this recommendation and currently monitors all trust balance closely and will request that all donor inquiries with regards to donation balances be directed to Fiscal Services. Probation Fiscal Staff currently provides a report of outstanding donation balances to operational staff to plan for utilization.

Recommendation #7:

We recommend that the Probation Department identify and resolve revolving fund shortages timely, and immediately report the shortages to the Auditor-Controller's Office of County Investigations to ensure Probation Department's internal revolving fund sub-assignments listing reflects the correct amount assigned to each location, and the total amount of sub-assignments agrees with the eCAPS report.

Department's Response:

The Probation Department agrees with this recommendation and has implemented processes to ensure the integrity of the revolving funds.

Recommendation #8:

We recommend that Probation Department obtain Statement of Responsibility forms from each location as required and review the forms to ensure that the forms specify the assigned amount, fund custodian, alternate fund custodian, and approving authority with no responsibility of fund disbursements.

Department's Response:

The Probation Department agrees with this recommendation, however, the department's current staffing level is not able to guarantee an alternate fund custodian to some of the areas that have petty cash assignments. A waiver will be requested from the Auditor-Controller to have expenditure approvers to act as the alternate fund custodians.

Recommendation #9

We recommend that Probation Department implement procedures to have staff with no cash handling responsibilities of revolving funds conduct surprise cash counts for all revolving funds with assigned amounts over \$200 quarterly and less than \$200 annually, and require fund custodians to sign and date the surprise cash count documents for their agreement of the count.

Simpson & Simpson, LLP July 14, 2015 Page 5 of 5

Department's Response:

The Probation Department agrees with this recommendation and has implemented a process to ensure surprise petty cash counts are performed based on the February 2014 findings. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.

Recommendation #10:

We recommend that the Probation Department evaluate the amount of all petty cash fund assignments regularly and adjust fund assignments, where appropriate. In addition, we recommend the Probation Department document the results of its evaluation.

Department's Response:

The Probation Department agrees with this recommendation and have evaluated all petty cash fund assignments based on the February 2014 findings and prior to this audit. During this time, some fund assignments were removed and management decided to leave others in place for emergent needs. Probation will ensure that an annual evaluation of petty cash fund assignments are compliant within the County's Fiscal Manual.

TRUST FUNDS

Recommendation #11:

We recommend that the Probation Department evaluate the need for these three camp trust funds, and close the trust funds that are no longer needed and ensure disposition of all fund balances.

Department's Response:

The Probation Department agrees with this recommendation and has identified all the trust funds based on the February 2014 findings and prior to this audit. However, the fiscal years that this audit covers in FY12-13 and FY13-14 was prior to implementing the process change.